

EXECUTIVE SUMMARY

CED Trustees call for transforming education finance so that funding policies are aligned with standards-based reform efforts to improve the nation's public schools. Harnessing spending to school improvement strategies can help spur the systemic change needed to raise academic achievement. Redesigning funding policies—to use resources more effectively, to make teacher pay more reflective of labor market realities, to create incentives for improved performance, and to link funding levels to the costs of meeting educational standards—is an essential step in the process of transforming schools into high performance organizations.



Traditional school finance policies ignore educational outcomes, therefore providing no incentives for educators to improve their performance. Despite new federal

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legislation, which puts pressure on public schools to perform, and the growth of charter schools, which increases competition between schools, school finance is still primarily independent of performance.

Funding and the Costs of Meeting Standards

Until recently, per-pupil spending was seldom compared to the costs of meeting educational standards. School budgets resulted from political bargaining over how much revenue would be available from tax receipts and how much would be devoted to education, which often left school districts under-funded.

INCREASING THE RETURN ON INVESTMENTS IN LEARNING

Changes to align school finance policies with wider education reforms are beginning to occur, but in a slow and piecemeal fashion. More rapid progress must be made if the nation's school finance policies are to contribute to improving student achievement. CED Trustees recommend the following changes in school funding policies and practices to improve the performance of the nation's public schools:



Allocate Resources More Effectively within Districts and Schools

- Authority over spending decisions should be devolved to the school level, in keeping with both good managerial practice and school-based accountability for student learning.
- Districts should adopt a new approach to calculating school budgets that is based on individual students and their educational needs.
- Cost-effectiveness must be a central criterion in resource allocation decisions.
- Strong information systems must be developed and used to support planning, monitoring, and evaluation of resource use.

Align Teacher Compensation with Labor Market Realities

- The single-salary schedule should be replaced with a more flexible compensation system that allows administrators to align pay with the realities of the teacher labor market.
- All districts must begin to implement reforms such as pay differentials to attract strong candidates to

teaching and to the schools and subjects where they are most needed.

- Policy makers also need to address transfer and pension policies that penalize mobile teachers, further handicapping districts facing difficulties attracting job candidates.

Create Incentives for Improved Performance

- School finance policies must incorporate performance incentives. Incentives have an important role to play in complementing federal and state accountability requirements.
- Some portion of teacher pay should be linked to teachers' success in improving outcomes for students.
- CED Trustees support charter schools not only because they provide choices for parents, but because

of our long-standing concern that the overly-restrictive regulatory environment in which traditional schools are governed and managed stifles needed reforms. We believe that more equitable financial policies are needed to give charter schools a fair opportunity to succeed.

Link School Funding to the Costs of Meeting Education Standards

- Now that standards-based education goals and accountability have been adopted by both state and federal governments, policy makers have a responsibility to provide sufficient funding for schools and students to meet the new requirements.

PROMOTING SCHOOL FINANCE REFORM

Reforming education finance, like reforming education more generally, will require steady, focused pursuit of a coherent agenda over time to make a difference. Policy makers willing to make the needed changes need support from business leaders and others, not only in helping design effective policies but in maintaining the political backing necessary to defeat those who would return to business as usual. We call on our counterparts across America to work for the agenda laid out in this report and urge policy makers to adopt strategies that make good use of the nation's educational investments to help America's children achieve high learning standards.